

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 IO-10 FEA-01 AGR-10 CEA-01

CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15

STR-04 TAR-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01

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FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 1320

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TAGS: EIND, EFIN, DA

SUBJECT: FOREIGN INVESTMENT CLIMATE

REF: A. STATE 165596 B. COPENHAGEN A-70

MARCH 30, 1973 C. COPENHAGEN 4685 AUG 14, 1971

1. SUMMARY: DENMARK HAS A LIBERAL POLICY ON FOREIGN INVESTMENT. FOREIGN EXCHANGE TRANSACTIONS ARE FULLY LIBERALIZED. INWARD AND OUTWARD DIRECT INVESTMENT IS ADMINISTRATIVELY CONTROLLED BUT PRACTICE IS LIBERAL. RECENT RESTRICTIONS ON NON-RESIDENTS' PORTFOLIO INVESTMENT ARE NOW ABOLISHED. TAXES ARE APPLIED IN A NON-DISCRIMINATORY MANNER. AS A MEMBER OF THE EUROPEAN COMMUNITY, DENMARK WILL EVENTUALLY ADOPT THE EC-REGULATIONS ON FOREIGN INVESTMENT. STATISTICS ON FOREIGN INVESTMENT HAVE NOT BEEN PUBLISHED SINCE 1969 (REF C) AND FOR REASONS CITED REF B, EMBASSY IS STILL UNABLE TO SUPPLY THESE. DANISH BUREAU OF STATISTICS HOPES TO HAVE SOME FIGURES ON FOREIGN INVESTMENT AVAILABLE LATER THIS YEAR. END SUMMARY

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2. CURRENT FOREIGN EXCHANGE TRANSACTIONS ARE

FULLY LIBERALIZED, INCLUDING ALL ORDINARY COMMERCIAL TRANSACTIONS, PAYMENTS OF INTEREST AND DIVIDENDS AND LIQUIDATION AND REPATRIATION OF NON-RESIDENT OWNED ASSETS. INWARD AND OUTWARD DIRECT INVESTMENT IS ADMINISTRATIVELY CONTROLLED, BUT PRACTICE IS LIBERAL IN MOST AREAS OTHER THAN FINANCE, REAL ESTATE, AND BUILDING AND CONSTRUCTION, PURCHASE OF REAL PROPERTY BY NON-RESIDENTS IS PERMITTED WHEN CONNECTED WITH DIRECT INVESTMENT. GENERAL RESTRICTIONS APPLY TO THE PURCHASE OF FARMLAND AND RECREATIONAL AREAS. PORTFOLIO INVESTMENT BY NON-RESIDENTS IS NOW FULLY LIBERALIZED. THE RECENT QUOTA ARRANGEMENT RELATING TO NON-RESIDENTS' PURCHASE OF DANISH MORTGAGE BONDS WENT OUT OF EFFECT ON JANUARY 1, 1975. RESIDENTS ARE NOT GENERALLY PERMITTED TO PURCHASE FOREIGN SECURITIES FOR PORTFOLIO INVESTMENT.

3. REGISTRATION REQUIREMENTS APPLY EQUALLY TO DANISH AND FOREIGN COMPANIES, AND, GENERALLY, NO LEGISLATIVE DISTINCTION IS MADE BETWEEN A FOREIGN SUBSIDIARY AND A LOCAL COMPANY. ON JANUARY 1, 1974, TWO NEW COMPANY ACTS WENT INTO FORCE, PRIMARILY DESIGNED TO HARMONIZE DANISH LEGISLATION WITH THAT OF THE EC. GOVERNMENT CONCESSIONS ARE REQUIRED FOR THE EXPLOITATION OF NATURAL RESOURCES.

4. REGIONAL DEVELOPMENT ASSISTANCE IS AVAILABLE TO LOCAL AND FOREIGN COMPANIES ALIKE, IN THE FORM OF INVESTMENT GRANTS AND GOVERNMENT GUARANTEES FOR INVESTMENT CREDIT. THERE ARE IN GENERAL NO INDUSTRIAL SUBSIDIES OTHER THAN SHIPBUILDING CREDITS AT A REDUCED RATE.

5. A 15 PERCENT VALUE-ADDED TAX (VAT) IS CHARGED ON LITERALLY ALL GOODS AND SERVICES, BUT FULLY REFUNDED ON EXPORTS. PERSONAL INCOME TAXES ARE AMONG THE HIGHEST IN EUROPE. THE CORPORATION TAX WAS RECENTLY RAISED FROM 34 PERCENT TO 37 PERCENT, APPLICABLE TO DANISH AS WELL AS FOREIGN COMPANIES. A 30 PERCENT DIVIDEND TAX, UNCLASSIFIED

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WITHHELD BY THE PAYING CORPORATION, IS CREDITED AGAINST FINAL INCOME TAX. AMERICAN INVESTORS, ACCORDING TO THE DANISH-AMERICAN DOUBLE TAXATION AGREEMENT, GET HALF THE DIVIDEND TAX REFUNDED. FOR AMERICAN COMPANIES OWNING A SIGNIFICANT SHARE OF A DANISH COMPANY, THE DIVIDEND TAX IS REDUCED TO 5 PERCENT. TAX DEPRECIATION RULES ARE RELATIVELY LIBERAL. BUILDINGS MAY BE DEPRECIATED BY 6 PERCENT PER ANNUM ON A

STRIAGHT LINE BASIS, AND MACHINERY AND EQUIPMENT  
BY 30 PERCENT PER ANNUM ON A DECLINING BALANCE BASIS.  
20 PERCENT OF ANNUAL PROFITS MAY BE PLACED IN INVESTMENT  
RESERVES.

6. LEGISLATION ON PRICE AND PROFIT CONTROL WAS  
ENACTED IN MARCH 1975, DESIGNED TO FREEZE PROFITS  
AT MARCH 1975 LEVEL. SIMILAR LEGISLATION HAS BEEN  
IN FORCE PERIODICALLY SINCE 1971, BUT HAS NOT  
PREVENTED CONTINUED PRICE AND COST RISES. DANISH  
LABOR IS 100 PERCENT ORGANIZED AND INDUSTRIAL WAGES ARE  
AMONG THE HIGHEST IN EUROPE. HOWEVER, BECAUSE  
MOST SOCIAL COSTS ARE FINANCED FROM GENERAL  
REVENUE, INDIRECT WAGE COSTS ARE LOWER.

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